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**Senate Budget Committee Chairman Judd Gregg (R-NH)**
**Senate Floor Speech (Unofficial Transcript)**
**Friday, December 8, 2006**

**Mr. Gregg:** I thank the chair. I wanted to rise to discuss the last major item of business relative to this Congress.

There is headed towards the Senate from the House something called the extenders bill. Now, to put this in the proper context, there are a number of tax initiatives which are going to lapse this year and need to be extended. Things like R&D tax credit, things like the deduction which teachers can take when they buy materials for their classrooms. That's a very fine deduction and teachers really always -- especially elementary schoolteachers -- seem to do a lot of that. They deserve recognition. Things like the tuition tax credit. These are all extenders which should occur. Were they to occur in the proper order, they might cost as much as $12 billion.

However, the bill that's headed towards us doesn't cost $12 billion. It's going to cost $39.5 billion -- at least that's what we think it's going to cost. We haven't had it finally scored, but that's what we believe is a reasonable number to put on it, $39.5 billion. That will all be added to the debt, to the deficit. It will be at least $17 billion over what is known as Pay-Go, which is a mechanism around here that disciplines tax cuts. It doesn't discipline spending, regrettably, but it does discipline tax cuts. So it is $17 billion over what is known as the Pay-Go baseline. Plus it represents $39 billion of funding which will just be added to the debt. I mean, that's incredible as a last act of Congress.

It will actually be -- I mean, depending on how you define the Part D premium exercise which added trillions of dollars to the out-year debt -- it will arguably be either the largest or the second-largest budget buster passed by this Congress when it passes. $39 billion. It has in it a large amount of items which have nothing to do with extending taxes and have a lot to do with personal interests of various special interest groups around this country who have the capacity to get things put in bills.

Probably the most significant one is a brand-new program – well, not a brand-new program, but a conversion of a program called the Abandoned Mines Land program which basically will create a new $4 billion cost to the American taxpayer to pay for the health insurance of mine workers and former mine workers which should have been paid for by the coal companies. In other words, it is a direct transfer payment from the corporate coal companies' obligation to support the health care of these miners to the American taxpayer, and it is a directed program, a mandatory program. Not a discretionary program. So it basically cannot be reviewed or adjusted in the out years. It is probably one of the most egregious things we will do in this Congress in the area of abandoning fiscal discipline and raiding the taxpayers' pocketbooks for the benefit of a small group of people and corporations.

It also includes something called the doctor's fix. It is appropriate that we correct the amount of money that doctors are reimbursed for under the Medicare Act. There's a 5% cut in doctor's reimbursement. It is not fair to doctors to be asked to bear the burden of the expansion of Medicare costs. And it should be corrected. But the understanding always was, or at least I thought it was -- and I guess I'm naive. I guess I am naive. I always thought the understanding was it was going to be paid for with real dollars. I mean, that was exactly what was said around here -- the doctor's fix would be paid for with real dollars. Well, there are some real dollars being used, but they are real dollars that don't have anything to do with the issue here. They're taking something called the stabilization fund and applying it to the doctor's fix. That pays for some of it. That arguably is real dollars. It shouldn't be used in this event, but, you know, as a matter of policy, you can't fight it from a budget standpoint. It's real dollars. Bad policy, but real dollars.

But there is another group of dollars being used here which don't even exist and are being claimed as part of the payment. They are going to create a hole in next year's doctors fix which will double the cost of next year's fix, then take that money which doesn't exist and claim that they're paying that money to pay off the doctor's fix this year. It's an accounting gimmick of such extraordinary brazenness that were to you do it in the corporate world, you would go to jail. There wouldn't be any question about it. There would be a clear-cut jail sentence tied to this one if this were a gimmick used by a corporation and put out to your shareholders or to the investors in your company as something that was appropriate. This is an outrage of the first order on the American taxpayer and our children. Because who pays for this? Our children pay for it, you know. That's what happens.

Then the bill is just laden, LADEN, with earmarks, for this group, that group, this group, that group. The District of Columbia gets $150 million. The State of Tennessee gets $35 million. Nevada gets $4 million. Some -- I still don't know how this one got in here -- the Music Writers of America are going to get $3 million. I mean, you know, should the music writers get $3 million from the taxpayers on the debt? By our standards around here, it wouldn't even make an asterisk. But it's what it represents that's so outrageous.

The rum excise revenue sharing of Puerto Rico, $184 million. Special depreciation for ethanol plants. I don't think there's ever been a finance bill that's gone through this body that hasn't had something for ethanol. Ethanol is a great idea. I'm for it now. It is such an integrated subsidy. Why do we have to keep throwing subsidy and subsidy into it? In fact, not happy with that little exercise, they also had to extend the tariff on ethanol that comes into the country from international producers so that the Northeast, which can't get the ethanol from the Midwest because it can't be shipped through the pipelines because ethanol doesn't ship through pipelines because it bonds with the water and the pipelines and doesn't work. The Northeast, which can only get it efficiently and cost effectively from, say, Brazil and have it shipped in by boat, has to pay a huge tariff on that, 54 cents a gallon, which makes it economically unfeasible. Even though this is an alternative fuel source that should be used throughout our country. And granted, we'd like to have it produced in America and -- but I'd rather be buying ethanol from Brazil than oil from some of our lesser friends in the Mideast like Iran. And yet, this makes it virtually impossible to do that. Good policy, I say with great irony and sarcasm. And, of course, got nothing to do with the tax incentives.

And then there are the serious policy implications of this. For example, it does extend the sales tax deduction, which is a policy of essentially saying to high-tax states, ‘you should increase your taxes on your people at the expense of the federal treasury.’ The sales tax deduction is nothing more than revenue sharing for the federal government -- where the federal government is saying to a state, ‘we'll give you a deduction for increasing your taxes, and the federal taxes will then go up for everybody else to pay for that deduction.’

Well, there are a lot of states that don't have a sales tax in this country, and there is no reason they should be penalized in this. There is no reason people from New Hampshire, who pay no sales tax, should have to subsidize a high sales tax in the state of New York or the state of Texas or the state of California. It doesn't make any sense from a policy standpoint. More importantly, this is not a very equitable way to approach things because the only people who can really take advantage of this deduction are itemizers. And itemizers by definition usually earn somewhere around…more than $60,000 is the about the break point where you start to itemize your taxes, your tax deductions because there is no return to itemizing below that. Basically low-income people who pay a sales tax will see their sales taxes go up because states will want to raise them in order to claim this deduction. And the low-income people will now have to pay more in sales taxes and not be able to deduct it, whereas the high-income people will be able to deduct it. It doesn't make any sense, policy-wise. It doesn't make any sense from a tax standpoint. It is one more effort from a group of states which wants to get this deduction put into place to take advantage of a bill coming through here.

The bill, as I said, is arguably the largest budget-buster ever brought forward by the Republican Congress, and that's ironic in and of itself, isn't it? That's pretty ironic. And it's interesting the way it's being brought forward. It is being brought forward in a manner which will make it extraordinarily difficult. This is being done by the Republican leadership to the Republican membership, by the way, in a way that will make it extraordinarily difficult to attack the bill at any point and raise any of the issues I just raised. In other words, if I wanted to address this deduction for Tennessee, this $35 million, or I wanted to address this musical awards item, I'm not going to be able to do it. That option is not going to be allowed to me on a traditional vote of a motion to strike. I'd probably lose those motions, but that's not going to be available to knock those earmarks out. If I want to raise the policy arguments on the question of the doctors' fix, the fact that you have this unbelievable accounting mechanism used to pay for it, I'm not going to be able to do that as budget share. That's going to be denied me by the leadership. The Republican leadership is denying the Republican membership the capacity to raise issues about it. And then they're going to fill the tree so no amendments can be made, and then they're going to have the final vote be a motion to concur with the House, concur with the House's message.

Well, you know, it's obvious they have the votes to do this. I mean this bill has so much in it for so many different little folks and issues around here that they've racked up the vote count to the point where they can accomplish this. Well, over 60 votes would be for this bill. So that the votes are there. They can do it, and that's the way the majority works. But you'd have to ask this question. You know, the American people took the reins of government away from the Republican party relative to the Republican Congress in this last election. They did so, I think, in large part because they were tired of our hypocrisy as a party on the issue of fiscal responsibility. And it would appear that their concerns are justified. It is true, I guess. In fact, I'm sure that our colleagues on the other side of the aisle would probably be worse at fiscal management than we are. I mean, it is in their nature to want to spend money, although we've shown it to be in our nature, too. And if you add up all the things they've talked about in their campaigns, they're going to spend a lot of money.

But at least they won't be hypocritical about it. They won't be going to the American people and saying, we're the party of fiscal responsibility. You just have to ask yourself how we, as a party, got to this point, where we have a leadership which is going to ram down the throats of our party the biggest budget buster in the history of the Congress under Republican leadership. Well, anyway, the American people figured it out, and I'm sorry we haven't figured it out yet.

I yield the floor.

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